#### **COMMONWEALTH OF PENNSYLVANIA**



#### **BUREAU OF AUDITS**

#### **REPORT ON**

LEXISNEXIS RISK SOLUTIONS, INC.

**COMPLIANCE WITH AGREEMENT NO. 7303251** 

For the Period January 1, 2016 through December 31, 2016

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#### **BACKGROUND**

LexisNexis Risk Solutions, Inc. (LexisNexis) executed a five-year agreement with the Commonwealth of Pennsylvania Department of Transportation (PennDOT), Agreement No. 7303251, on August 28, 2015. The Agreement between LexisNexis and PennDOT allows LexisNexis to receive and distribute driver record information to insurance companies, employers, and/or vehicle leasing companies. According to Agreement No. 7303251, PennDOT provides driver record information to LexisNexis for underwriting and issuing motor vehicle insurance, for which a record of three years will be made available.

Through Pennsylvania Interactive (PAI), PennDOT's Designated Connection Provider, LexisNexis accesses the PennDOT Real-time Driver Records (RDR) system to request driver records for its customers using the subaccount number provided to each PennDOT approved customer. Additionally, LexisNexis submits batch requests for PennDOT driver records. PennDOT provides driver record information containing name, address, driver number, ZIP code, date of birth, class of license, record type, license issue and expiration dates, accident information as permitted by law, and all violation and departmental actions for the applicable period.

Reed Elsevier, the parent corporation of LexisNexis currently known as RELX Group, acquired ChoicePoint Services, Inc. and its subsidiaries and affiliates in 2008. On January 1, 2010, ChoicePoint Services, Inc. was rebranded as LexisNexis Risk Solutions, Inc. LexisNexis offers products and solutions to help organizations manage risks like identity theft and fraud. Its products also aid in preventing financial crimes, as well as insurance and government benefit fraud. LexisNexis provides products which allow insurance companies to evaluate driver histories in all fifty (50) states and obtain up to seven (7) years of personal automobile claims that match the search criteria submitted by the inquiring insurance company.



Mr. R. Dale Brown Sr. Product Manager/State Relations LexisNexis Risk Solutions, Inc. 1000 Alderman Drive Alpharetta, GA 30005

We have conducted a performance audit to determine if LexisNexis Risk Solutions, Inc. (LexisNexis) complied with the terms of Agreement No. 7303251 with the Commonwealth of Pennsylvania Department of Transportation (PennDOT). The scope of our audit was for the period January 1, 2016, through December 31, 2016. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit objectives, along with the scope, methodology and conclusion for each audit objective, are as follows:

Audit Objective No. 1

Determine if LexisNexis maintained a record of each end user that requested PennDOT driver information from January 1, 2016, through December 31, 2016.

Methodology/Scope

We requested from LexisNexis a list of end user requests for PennDOT driver information from January 1, 2016, through December 31, 2016. We also asked PennDOT for a list of LexisNexis record requests by end user for the same period. We compared the LexisNexis transaction log to the PennDOT transaction log to verify that LexisNexis maintained a record of each end user that requested PennDOT driver information. We developed an end user list from the transaction log provided by LexisNexis, and compared it to an end user list developed from the transaction log provided by PennDOT. When we discovered differences between the end user lists, we notified LexisNexis and performed additional testing. We also examined an additional list provided by LexisNexis which included the name, address and telephone number for each end user approved by PennDOT, as well as the names of insurance agents associated with the commercial insurance companies, which are the PennDOT-approved end users. To gain an understanding of the relationship between

Audit Objective No. 1 (Continued)

Methodology/Scope (Continued)

the end users and the insurance agents, we made additional inquiries. Then, we asked LexisNexis to explain the internal controls it has in place to ensure that a complete record of end users of PennDOT information is maintained.

Conclusion

LexisNexis provided a transaction log which included record requests for end users from January 1, 2016, through December 31, 2016; however, LexisNexis was not able to provide this listing until fifty-four (54) days after it was first requested. Also, the LexisNexis transaction log did not accurately record all end users as two (2) end users that received PennDOT driver records were not included on the LexisNexis transaction log.

Rather than providing the name, address, and phone number for the end users that requested PennDOT driver records from January 1, 2016, through December 31, 2016, LexisNexis provided the name, address, and phone number for each of its end users approved by PennDOT along with the names of approximately insurance agents who may or may not have requested PennDOT driver records during the audit period using the end users' subaccount numbers.

In order to compile a list of end users that received PennDOT driver records LexisNexis needed to perform multiple steps, which resulted in a delay in providing a list for a specific time period. This indicates a weakness in internal controls, since the current process does not allow LexisNexis to respond to such requests in a timely and accurate manner.

Related Findings and Recommendations

See Finding No. 1

Audit Objective No. 2

Determine if LexisNexis obtained PennDOT approval for customers prior to providing customers with PennDOT information and obtained approval for subcontractors.

Methodology/Scope

We obtained from LexisNexis a list of record requests which LexisNexis sent to PennDOT from January 1, 2016, through December 31, 2016. This list included the customer name and the date for each request. We also obtained a list of LexisNexis record requests from PennDOT. After resolving discrepancies

### Audit Objective No. 2 (Continued)

Methodology/Scope (Continued)

between the LexisNexis and PennDOT customer lists, we derived a single list and selected a sample of sixty (60) customers. We then asked PennDOT to provide the date it approved each of the customers in our sample. To determine if the approval date preceded the date of information being released to each customer, we compared the approval date to the date information was first released to each of the customers during the audit period.

We also requested that LexisNexis provide a list of subcontractors with access to PennDOT records from January 1, 2016, through December 31, 2016. Since LexisNexis stated there were no subcontractors, no further testing was performed.

We asked LexisNexis to explain the internal controls in place to ensure that it obtained PennDOT written approval of customers prior to providing them with PennDOT information. In addition, we asked LexisNexis to describe the internal controls in place to ensure PennDOT approval was received prior to allowing a subcontractor to assist in the performance of Agreement No. 7303251.

Conclusion

LexisNexis obtained PennDOT approval of fifty-six (56) of the sixty (60) customers tested prior to providing those customers with PennDOT information. The remaining four (4) sampled customers did not receive PennDOT information during the audit period so no PennDOT approval of these customers was required.

LexisNexis does not use subcontractors in the performance of the Agreement, therefore no PennDOT approval of subcontractors was required.

Related Findings and Recommendations None.

Audit Objective No. 3

Determine if LexisNexis, its customers, and its subcontractors completed and filed Affidavits of Intended Use and LexisNexis provided PennDOT a list of customers and subcontractors with Affidavits on file in 2016.

Audit Objective No. 3 (Continued)

Methodology/Scope

We requested from PennDOT the 2016 Affidavit of Intended Use filed by LexisNexis and the date PennDOT received it. Then, we reviewed the affidavit for completeness.

From LexisNexis, we requested customer Affidavits of Intended Use which were in effect during 2016 for the sixty (60) customers in our sample. We determined that four (4) of the sixty (60) customers did not receive PennDOT driver record information during 2016. In addition, neither LexisNexis nor PennDOT could provide affidavits for two (2) of the fifty-six (56) customers that received PennDOT driver record information. These two (2) customers filed the affidavits directly with PennDOT, according to the procedure at the time the affidavits were filed. We reviewed the affidavits of the fifty-four (54) remaining customers for completeness. After observing that several of the affidavits were not complete and some of the customer names on the affidavits did not match LexisNexis's records, we notified LexisNexis of these deficiencies.

Since LexisNexis stated it did not have any subcontractors, testing of subcontractor affidavits was not necessary.

Also from PennDOT, we requested the annual list of customers and subcontractors with Affidavits of Intended Use on file during 2016 and the date PennDOT received the list.

We inquired of LexisNexis if there were internal controls over the completion and filing of its own Affidavit of Intended Use, the Affidavits of Intended Use of its customers, and the filing of the annual list of customers and subcontractors with affidavits on file with PennDOT.

Conclusion

LexisNexis completed and filed its annual Affidavit of Intended Use on a timely basis. The affidavit was completed correctly.

While LexisNexis and PennDOT were unable to provide Affidavits of Intended Use for two (2) customers, PennDOT stated that the issuance of a subaccount number for each of the two (2) customers indicates the customers did file affidavits

## Audit Objective No. 3 (Continued)

Conclusion (Continued)

prior to the customers receiving PennDOT driver records. Therefore, all fifty-six (56) LexisNexis customers selected for testing did file affidavits prior to receiving PennDOT driver records. LexisNexis, however, did not comply with Agreement No. 7303251, since it did not keep the affidavits on file while the customers maintained access to Pennsylvania driver record information and for three (3) years thereafter.

Thirty-five (35) of the affidavits covering fifty-four (54) of the sampled customers were not complete. Furthermore, the affidavits provided for seven (7) customers included a customer name which differed from the customer name in the LexisNexis reporting system.

As LexisNexis stated, it used no subcontractors in performance of the Agreement. Therefore, no testing of subcontractor affidavits was performed.

LexisNexis provided PennDOT with the annual list of customers with Affidavits of Intended Use on file in 2016.

Based on the testing of sampled customers, LexisNexis does not have adequate internal controls over the completion and filing of Affidavits of Intended Use by its customers. LexisNexis's controls did not ensure that customer affidavits were completed correctly, contained the correct customer name, and were maintained on file by LexisNexis, as required by Agreement No. 7303251.

Related Findings and Recommendations

See Finding No. 2

Audit Objective No. 4

Determine if LexisNexis entered into written agreements with its customers and subcontractors.

Methodology/Scope

We asked LexisNexis to explain the internal controls it had in place to ensure that LexisNexis executed written agreements with its customers. Then we documented the controls and determined whether they were adequate. We requested written customer agreements from LexisNexis for a sample of sixty (60) customers to test for the existence and completeness of the

Audit Objective No. 4 (Continued)

Methodology/Scope (Continued)

agreements. Testing was limited to fifty-six (56) customers, since it was determined that four (4) of the sixty (60) sampled customers did not receive PennDOT driver record information during the audit period.

After we discovered that the provided customer agreements (Pennsylvania Access Agreements/Agreement for Insurance Access to Pennsylvania Driver Record Information) for the majority of the fifty-six (56) customers were not in effect during the audit period, we informed LexisNexis of the issue. In response, LexisNexis indicated that a Master Service Agreement (MSA) was in effect for all customers that received PennDOT driver record information during the audit period and provided an MSA as an example. We reviewed only the Pennsylvania Access Agreements for existence and completeness as those agreements specifically cover the restrictions of use for PennDOT driver record information.

No procedures were performed for subcontractor agreements.

Conclusion

LexisNexis did not demonstrate that it entered into written agreements with all customers. We did not test thirty-seven (37) of the fifty-six (56) Pennsylvania Access Agreements that LexisNexis provided because they were either expired, invalid, or executed after the audit period. We did not utilize the MSA for the written agreement existence and completeness testing, since the MSA did not include seven (7) of the nine (9) required language provisions.

LexisNexis did provide Pennsylvania Access Agreements that were in effect during the audit period for nineteen (19) of the fifty-six (56) customers tested. The Pennsylvania Access Agreements provided for the nineteen (19) customers were complete. We determined, however, that the Pennsylvania Access Agreements for three (3) of the nineteen (19) customers were not in effect for the entire time the customers received records during the audit period.

Improvements in internal controls are needed to ensure that LexisNexis executes and updates Pennsylvania Access Agreements with all customers.

## Audit Objective No. 4 (Continued)

Conclusion (Continued)

No subcontractor agreements were tested because LexisNexis did not use subcontractors in the performance of Agreement No. 7303251. Our audit procedures did not detect the existence of any subcontractors.

Related Findings and Recommendations

See Finding No. 2

Audit Objective No. 5

Determine if LexisNexis's Customer Agreements expressly incorporate the terms and conditions of Agreement No. 7303251.

Methodology/Scope

We reviewed the Pennsylvania Access Agreements and Affidavits of Intended Use for fifty-four (54) of the fifty-six (56) sampled LexisNexis customers that received PennDOT driver records during the audit period. As mentioned above for Objective No. 4, testing was limited to fifty-six (56) customers, since it was determined that four (4) of the sixty (60) sampled customers did not receive PennDOT driver record information during the audit period. We reviewed the sample Master Service Agreement (MSA) for two (2) of the fifty-six (56) customers, since LexisNexis was not able to provide either the Pennsylvania Access Agreement or Affidavit of Intended Use for these two (2) customers. Because the two (2) language provisions included in the MSA were also included in the Affidavit of Intended Use, we did not need to review the MSA language for the fifty-four (54) customers that filed Affidavits of Intended Use.

The written agreements are required to include the following nine (9) language provisions: limiting the sale or transfer of PennDOT information to a third party; limiting the use of any driver record to authorized purposes; prohibiting advertising and direct mailings; prohibiting customers from creating or updating files to develop their own source of driver record information; prohibiting customers from retaining, storing, combining, and/or linking in PennDOT information with any other data on any database; prohibiting customers from publishing PennDOT personal information on the Internet; maintaining safeguards and procedures to ensure the security and protection of PennDOT information; restricting record retention based on purpose; and ensuring exclusive ownership

### Audit Objective No. 5 (Continued)

Methodology/Scope (Continued)

of all driver records is retained by PennDOT. We recorded the results of our review for required language provisions and analyzed the results.

Conclusion

Of the fifty-six (56) customers tested, LexisNexis could not produce a Pennsylvania Access Agreement for thirty-five (35) customers. Additionally, LexisNexis could not produce either a Pennsylvania Access Agreement or an Affidavit of Intended Use for two (2) customers, which resulted in language from the Master Service Agreement (MSA) being used for the language testing of these two (2) customers. Based on the results of our testing, we found that thirty-five (35) customers did not have two (2) of the nine (9) required language provisions in their written agreements and two (2) customers did not have seven (7) of the nine (9) required language provisions.

Three (3) additional customers did not have two (2) of the nine (9) required language provisions in their written agreements for a portion of the audit period. This deficiency resulted because the Pennsylvania Access Agreements provided by LexisNexis did not cover the entire portion of the audit period during which the three (3) customers received PennDOT driver records.

The missing required language indicates a weakness in LexisNexis's internal controls over its written agreements.

Related Findings and Recommendations See Finding No. 3

Audit Objective No. 6

Determine if LexisNexis's subcontractor agreements expressly incorporate the terms and conditions of Agreement No. 7303251.

Methodology/Scope

No audit procedures were performed as LexisNexis stated it did not use subcontractors in the performance of Agreement No. 7303251.

Conclusion

LexisNexis did not have subcontractor agreements as it did not use subcontractors in the performance of Agreement No. 7303251.

Audit Objective No. 6 (Continued)

Related Findings and Recommendations

None.

Audit Objective No. 7

Determine if LexisNexis maintained in full force and effect a bond or escrow account for 2016 according to the terms and conditions of Section 18 of Agreement No. 7303251.

Methodology/Scope

From PennDOT, we requested a copy of the original bond and the bond renewal for 2016, as well as the date the renewal was received from LexisNexis. We also asked PennDOT for a copy of the annual revenue review filed by LexisNexis during 2016, documentation related to PennDOT's approval of the annual revenue review, and any adjustment request, if applicable, with the date received. We compared the dates of the bond renewal and the revenue review to determine if they were received within the time frame allowed in the Agreement. In addition, we asked LexisNexis to explain its internal controls over the bond completion, renewal, and reporting process.

Conclusion

LexisNexis maintained in full force and effect a bond for 2016 according to the terms and conditions of Section 18 of Agreement No. 7303251. LexisNexis also reviewed the annual revenue for 2015 and forwarded the total to PennDOT for its approval at least fifteen (15) days prior to renewal of the bond. Based on the annual revenue review, no adjustments to the bond amount were needed. In addition, LexisNexis provided PennDOT with a copy of the bond renewal for 2016 within five (5) business days of issuance.

Related Findings and Recommendations None.

Audit Objective No. 8

Determine if LexisNexis maintained safeguards and procedures to ensure security and protection of PennDOT information from January 1, 2016, through December 31, 2016.

Audit Objective No. 8 (Continued)

Methodology/Scope

We reviewed responses provided to a list of questions to LexisNexis staff to gain an understanding of how LexisNexis uses and safeguards PennDOT personal information. Specifically, we asked how LexisNexis complies with the following provisions of the Agreement: restrictions on disclosure of PennDOT driver record information; restrictions on advertising; prohibition on development of own source of driver record information; prohibition on combining with a database; prohibitions against publication of driver record information on the Internet; data security requirements; violation notifications; and record retention requirements. In addition, we provided an internal control questionnaire for LexisNexis to complete. We also requested and reviewed LexisNexis's 2016 SOC Type 2 Report. When we inquired about internal audits, LexisNexis provided documentation used in internal audits of its customers, which we also reviewed.

Conclusion

While LexisNexis did maintain many safeguards and procedures to ensure security and protection of PennDOT information, from January 1, 2016, through December 31, 2016, LexisNexis failed to expressly incorporate all the terms and conditions of Agreement No. 7303251 in its written agreements with all customers as one of its required safeguards. In addition, LexisNexis disclosed PennDOT driver information to a third-party administrator without obtaining PennDOT's consent. These failures on the part of LexisNexis indicate weaknesses in its internal control.

Related Findings and Recommendations

See Finding No. 3 and Finding No. 5

Audit Objective No. 9

Determine if LexisNexis customers maintained safeguards and procedures to ensure the security and protection of PennDOT information from January 1, 2016, through December 31, 2016.

Methodology/Scope

We sent letters to fifty-eight (58) of the sixty (60) LexisNexis customers selected in the sample to inquire as to how they safeguarded PennDOT driver record information received through LexisNexis. The contact information was not available

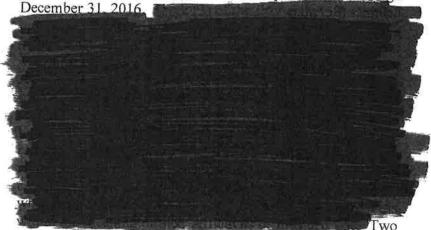
Audit Objective No. 9 (Continued)

Methodology/Scope (Continued)

for two (2) customers that either dissolved or were acquired by another company. We reviewed each response and sent followup questions, if clarification was needed. One (1) of the inquiries related to how the customer used the PennDOT driver record information. We compared the responses to the customers' permitted uses in Agreement No. 7303251 to test for compliance. We requested that LexisNexis send a definition of each code in LexisNexis' transaction reports, used to indicate the purpose of the record request, such as employment or insurance. Then we examined the purpose codes listed for the record requests for each of the customers in our sample. We compared each customer's response as to how they used PennDOT driver records to the purpose codes indicated in the customer's record requests and the purpose included on the customer's Affidavit of Intended Use to evaluate whether the customers used the records for the stated purpose.

Conclusion

LexisNexis customers did not in all instances maintain safeguards and procedures to ensure the security and protection of PennDOT information from January 1, 2016, through



(2) additional customers retained driver record information longer than required to conduct business or as required by law. Twenty-five (25) of the fifty-eight (58) sampled customers retained, stored, combined, or linked the PennDOT driver record information with other data, since it is necessary to store this information for underwriting and rating purposes in the normal course of business. According to the PA Affidavit of Intended Use utilized by companies to request records for

## Audit Objective No. 9 (Continued)

Conclusion (Continued)

insurance purposes, this practice is acceptable for companies conducting legitimate insurance business.

Five (5) of the fifty-eight (58) customers utilized the Internet to distribute PennDOT driver record information to insurance agents; however, LexisNexis was not able to provide the required Internet Addendum for three (3) of these five (5) customers. The PennDOT-approved Internet Addendum form is to be executed by each customer requesting to utilize the Internet to distribute PennDOT driver record information to insurance agents.

Related Findings and Recommendations

See Finding No. 4

Audit Objective No. 10

Determine if LexisNexis subcontractors maintained safeguards and procedures to ensure the security and protection of PennDOT information from January 1, 2016, through December 31, 2016.

Methodology/Scope

No procedures were performed.

Conclusion

No testing procedures were performed because LexisNexis stated that it does not use subcontractors in the performance of Agreement No. 7303251. Our audit procedures did not detect the existence of any subcontractors.

Related Findings and Recommendations None.

#### **Internal Controls**

In planning and performing our audit, we considered internal controls that are significant within the context of our audit objectives and assessed whether such controls had been properly designed and implemented. Based on our assessment of the internal controls, we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on LexisNexis's internal controls. Any significant control deficiencies that came to our attention during the audit are included in the findings section of this report.

LexisNexis's response to our findings is described in the findings and recommendations section of this report. We did not audit their response.

This report is intended solely for the information and use of LexisNexis, the Commonwealth of Pennsylvania Department of Transportation and Office of the Budget management and is not intended to be and should not be used by anyone other than these specified parties.

Brian T. Lyman, CPA

Director, Bureau of Audits

Brian J. Lyman

March 8, 2018

#### FINDINGS AND RECOMMENDATIONS

#### Finding No. 1 - Internal Control Weakness over End User Records

LexisNexis was unable to provide a complete and accurate listing of its end users (name, address, and phone number) in a timely manner. LexisNexis provided a transaction log which included record requests for 276 end users from January 1, 2016, through December 31, 2016; however, LexisNexis was not able to provide this listing until fifty-four (54) days after it was first requested.

Furthermore, the LexisNexis transaction log did not accurately record the end users (subaccount numbers) as two (2) end users that received PennDOT driver records were not included on the LexisNexis transaction log.

Agreement No. 7303251- Section 13 End User Requestor Information: "The Contractor is required to maintain a record of the end user for each request for driver information submitted to the Department. Upon the request of the Department, the Contractor will provide the name, address and telephone number of the end user."

LexisNexis stated that the information for its customer system and the Pennsylvania subaccount information are maintained in two (2) separate databases for security purposes. LexisNexis staff does not append the Pennsylvania subaccount to the order until it is ready to be placed with PennDOT for the driver record. Once staff generated the requested transaction file, they then had to run a separate query to obtain the customer account information and then apply the requested data elements. When that was complete, LexisNexis personnel applied the Pennsylvania subaccount information from the separate database.

Since LexisNexis does not maintain historical information in the subaccount database, two (2) end users that received PennDOT driver record information from January 1, 2016, through December 31, 2016, were not included on the LexisNexis transaction log. The two (2) instances follow:

- When Company A was acquired by Company B, LexisNexis made a change in its reporting system. This change resulted in all 2016 record requests submitted by Company A being incorrectly listed as record requests submitted by Company B.
- In addition, when Company D acquired Company C, LexisNexis missed the Company C account when conducting the name change in the reporting system for Company D. As a result, record requests made by Company D during 2016 were erroneously reported under Company C.

In the event of a data breach, the reporting system must indicate the customer who received the information to enable identification of the affected party. Because LexisNexis is utilizing a system which cannot efficiently produce reports identifying the records provided to each entity, it increases the risk that the driver and/or the LexisNexis customer would not be identified if there was a security breach.

#### FINDINGS AND RECOMMENDATIONS

#### Finding No. 1 - Internal Control Weakness over End User Records (Continued)

#### Recommendation

We recommend that LexisNexis reviews its process of developing an end user list and identify where it can reduce the number of steps involved so it can provide this information in a more timely manner while maintaining the needed security of the information. We further recommend that LexisNexis modifies its reporting system so that it will maintain historical data, rather than writing over prior information when accounts are updated. In conjunction with this improvement, the process for making updates in the reporting system should include internal controls to ensure the update is accurate and complete.

#### **Audited Entity Response**

Review current process and determine where efficiencies can be gained in order to provide a listing in a more timely manner and maintain the needed security regarding the PA subaccounts. 1) Meet w/development and document current process. (3/7/18) 2) Identify area of bottle necks. 3) Remove bottle necks as long as we maintain needed security. To be completed by 4/1/18.

#### **Auditor Conclusion**

LexisNexis did not indicate that it would improve its reporting system to maintain historical data or implement internal controls to ensure accurate and complete updates in the reporting system. Furthermore, LexisNexis did not provide the title of the individual responsible for the corrective action.

Our finding and recommendation remain as stated above.

#### FINDINGS AND RECOMMENDATIONS

#### Finding No. 2 - Inadequate Controls over Affidavits and Agreements

LexisNexis was not able to provide customer Affidavits of Intended Use filed with PennDOT for two (2) of the fifty-six (56) customers tested who received PennDOT driver record information. Thirty-five (35) of the fifty-four (54) affidavits provided for the fifty-six (56) sampled customers that received records during the audit period were not complete. The missing information included the following: business type, EIN number, year established, licensing information, location of records address, ownership information, notary seal, and insurance certificate/license. Also, the customer name did not match between the Affidavit of Intended Use and LexisNexis's reporting system for seven (7) of the fifty-six (56) sampled customers.

In addition, LexisNexis was unable to provide Pennsylvania Access Agreements in effect during the audit period for thirty-seven (37) of the fifty-six (56) sampled customers that received records.

- Thirty-two (32) provided agreements expired prior to the audit period
- Two (2) provided agreements were executed after the audit period
- Three (3) provided agreements were invalid, as they reflected a relationship that was no longer in effect

Furthermore, the Pennsylvania Access Agreements for three (3) customers were not in effect the entire time the customers received records during the audit period. The Pennsylvania Access Agreement provided for one (1) customer expired during the audit period, and the customer continued to receive records after the expiration. Two (2) customers had Pennsylvania Access Agreements signed during the audit period, but the customers received driver record information prior to the agreement being in effect. One (1) customer received records 180 days prior to executing an agreement.

Agreement No. 7303251 Section 7 Use of Information: "The Contractor agrees that it shall enter into written agreements with any and all customers..."

Agreement No. 7303251 Section 12 Required Security: "This security shall include written agreements between Contractor and its customers, insurance companies, the insurance companies' agents, any other agents of the Contractor or its customers, and subcontractors expressly incorporating the terms and conditions of this Agreement..."

Agreement No. 7303251 Section 8(b) Affidavits of Intended Use: "The Contractor agrees to have each of its customers and subcontractors complete an "Affidavit of Intended Use" on a form prescribed by the Department. The Contractor agrees to keep the "Affidavits of Intended Use" on file at a central location during such party's access to Pennsylvania driver record information under this Agreement and for three years thereafter."

#### FINDINGS AND RECOMMENDATIONS

#### Finding No. 2 - Inadequate Controls over Affidavits and Agreements (Continued)

DL-9106 (10-13) Instructions for Completing the Affidavit of Intended Use - No. 6: "You are required to complete, notarize and file a new Affidavit of Intended Use whenever information about your company changes. (name, address, ownership, telephone, website, etc.)"

The affidavits for two (2) customers were filed directly with PennDOT, since the written agreements were between the customer and PennDOT rather than the customer and LexisNexis. LexisNexis never pursued obtaining new Affidavits of Intended Use for the two (2) customers upon the expiration of the agreements between the customers and PennDOT.

In relation to the incomplete Affidavits of Intended Use, LexisNexis submits the Affidavits of Intended Use to PennDOT for review and approval. LexisNexis does not have a review process of the affidavits to determine if they are complete prior to filing with PennDOT.

LexisNexis indicated that the customer names may vary between the Affidavits of Intended Use and the LexisNexis reporting system due to staff within the Sales Department not entering the full customer name into the system.

We could not determine why LexisNexis did not have active Pennsylvania Access Agreements for thirty-seven (37) of the sampled customers. LexisNexis was unaware that the agreements between two (2) customers and LexisNexis (ChoicePoint) expired upon the termination of a corresponding agreement executed between the customer and PennDOT. One (1) customer only executed a written agreement with PennDOT rather than LexisNexis, and LexisNexis stated it was never provided a copy of the PennDOT agreement.

LexisNexis representatives stated that it is common practice for the written agreement to be executed after PennDOT approval. LexisNexis also noted that the time difference between PennDOT approval and agreement execution should only be a matter of days, not months.

In the event of a data breach, LexisNexis may not be able to identify the actual customer who received PennDOT driver information based on the customer names currently listed in the reporting system. The incorrect customer names on the affidavits, and the missing affidavits and customer agreements lead to uncertainty that the company receiving the PennDOT driver records has agreed to and is aware of the restrictions of use. Furthermore, incomplete Affidavits of Intended Use could result in customers obtaining driver records without a valid reason.

#### **FINDINGS AND RECOMMENDATIONS**

#### Finding No. 2 - Inadequate Controls over Affidavits and Agreements (Continued)

#### Recommendation

We recommend that LexisNexis implement controls to ensure that affidavits are completed correctly, and that affidavits and Pennsylvania Access Agreements are executed and maintained on file for the required time period for every customer. We further recommend that LexisNexis implements internal controls to ensure that the correct customer name is reported on customer Affidavits of Intended Use and LexisNexis's reporting system. These controls should include verification of company name on the Affidavit of Intended Use and confirmation of the customer's name in LexisNexis's reporting system each time LexisNexis is notified of a customer name change or a customer signs a new Affidavit of Intended Use or customer agreement.

#### **Audited Entity Response**

LexisNexis' Insurance Compliance team has undertaken a comprehensive review of all customers that utilize PennDOT data, to ensure that all requisite language and documents are in place. The review is scheduled to conclude in July 2018, with any necessary remedial actions to be performed promptly upon identification, or as soon as commercially practicable.

#### **Auditor Conclusion**

The response provided by LexisNexis did not discuss the implementation of internal controls to ensure that affidavits for new customers are completed correctly and Pennsylvania Access Agreements are executed and maintained on file for the required time period. In addition, the response did not discuss the implementation of internal controls to ensure the correct customer name is reported on customer affidavits and LexisNexis's reporting system. The corrective action steps related only to the documents for customers currently utilizing PennDOT driver records. LexisNexis also did not provide the title of the individual responsible for the corrective action steps.

Our finding and recommendation remain as stated above.

#### FINDINGS AND RECOMMENDATIONS

#### Finding No. 3 - Lack of Required Language Provisions

We reviewed the written agreements provided for fifty-six (56) of the sixty (60) sampled LexisNexis customers who received PennDOT personal information to determine if the written agreements included nine (9) language provisions required by Agreement No. 7303251. For testing purposes, written agreements included the Pennsylvania Access Agreements that LexisNexis executed with each customer and the Pennsylvania Affidavit of Intended Use which each customer filed with LexisNexis.

Thirty-seven (37) customers did not have required language prohibiting customers from creating or updating files to develop their own source of driver record information or restricting record retention based on purpose for the entire audit period. Two (2) of the thirty-seven (37) customers did not have written agreements that included the following provisions: limiting the sale or transfer of PennDOT information to a third party; limiting the use of any driver record to authorized purposes; prohibiting customers from retaining, storing, combining, and/or linking in PennDOT information with any other data on any database; prohibiting customers from publishing PennDOT personal information on the Internet; and ensuring exclusive ownership of all driver records is retained by PennDOT.

Three (3) customers did not have written agreements that included language prohibiting customers from creating or updating files to develop their own source of driver record information or restricting record retention based on purpose during a portion of the audit period in which they were receiving driver record information.

Agreement No. 7303251 - Section 7 Use of Information: "The Contractor agrees that it shall enter into written agreements with any and all customers, and that those agreements shall include a provision that expressly states that the customer shall not sell, assign, or otherwise transfer any information or portions of information obtained pursuant to this Agreement to any third party."

Agreement No. 7303251 - Section 7 Use of Information: "Customer agreements shall also expressly limit the use of any obtained driver record, in whole or in part, to authorized purposes."

Agreement No. 7303251 – Section 10 Contractor Databases: "Driver record information supplied by the Department shall not be used to create or update a file to be used by the Contractor, its customers, or subcontractors to develop their own source of driver record information."

Agreement No. 7303251 - Section10 Contractor Databases: "Driver record information shall not be retained, stored, combined, and/or linked in with any other data on any database by the Contractor, its customers, or subcontractors for any reason."

#### FINDINGS AND RECOMMENDATIONS

#### Finding No. 3 - Lack of Required Language Provisions (Continued)

Agreement No. 7303251 - Section 9(b) Restriction Against Publication: "The Contractor agrees not to disseminate or publish on the Internet the personal information obtained from the Department or to allow any other person to disseminate or publish the personal information on the Internet without the written approval of the Department."

Agreement No. 7303251 - Section 10 Contractor Databases: "The Contractor and its customers that obtain driver information for insurance or vehicle leasing purposes are permitted to retain driver record information only for as long as is necessary to conduct insurance or vehicle leasing business or as may be required by law. Employers may retain the information only in the employee's employment history file. Subcontractors are not permitted to retain any driver record information."

Agreement No. 7303251 - Section 11 Ownership of Records: "The Department retains exclusive ownership of all driver record information provided under this Agreement."

LexisNexis could not provide Pennsylvania Access Agreements and Affidavits of Intended Use for all customers selected for testing. The standard Pennsylvania Access Agreement contains all the language Agreement No. 7303251 requires, while the Affidavit of Intended Use form does not include language prohibiting customers from creating or updating files to develop their own source of driver record information or restricting record retention based on purpose.

Because two (2) customers did not have an executed Affidavit of Intended Use or Pennsylvania Access Agreement, we evaluated the language within the standard Master Service Agreement (MSA) for the two (2) customers. The MSA only included language provisions prohibiting direct mail advertising or any other types of mailings and language provisions requiring customers to maintain safeguards and procedures to ensure the security and protection of PennDOT driver record information. The MSA failed to include the other seven (7) required language provisions.

The absence of required agreement language may result in customers not having a good understanding of the restrictions on the use of personal information. This increases the potential that personal information obtained from PennDOT will be divulged or used in a manner not expressly permitted by the Agreement.

#### Recommendation

We recommend that LexisNexis execute Affidavits of Intended Use and Pennsylvania Access Agreements with all customers receiving driver records from PennDOT. Since LexisNexis's current Pennsylvania Access Agreements include each of the required language provisions, this will ensure that customers agree to and are aware of all the restrictions contained in Agreement No. 7303251. Furthermore, LexisNexis must make certain that it has Affidavits of Intended Use on file for all its customers.

#### FINDINGS AND RECOMMENDATIONS

#### Finding No. 3 - Lack of Required Language Provisions (Continued)

#### **Audited Entity Response**

LexisNexis' Insurance Compliance team has undertaken a comprehensive review of all customers that utilize PennDOT data, to ensure that all requisite language and documents are in place. The review is scheduled to conclude in July 2018, with any necessary remedial actions to be performed promptly upon identification, or as soon as commercially practicable.

Contact identified customers based on findings, for various issues, by the PA Bureau of Audit.

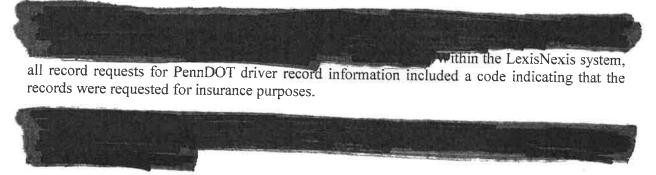
#### **Auditor Conclusion**

LexisNexis indicated that it will ensure Affidavits of Intended Use and Pennsylvania Access Agreements are in effect for the customers that currently utilize PennDOT information and the documents include the required language. However, LexisNexis did not indicate that it would implement controls to ensure Affidavits of Intended Use are retained on file. Also, LexisNexis did not provide the title of the individual responsible for the corrective action. While the LexisNexis response to Finding No.3 included contacting identified customers based on findings, this corrective action relates to Finding No. 4.

Our finding and recommendation remain as stated above.

#### FINDINGS AND RECOMMENDATIONS

#### Finding No. 4 - Lack of Customer Safeguards to Ensure Security



Two (2) customers indicated that they retained driver record information longer than required to conduct business or as required by law.

Two (2) customers asserted that they created or updated a file to develop their own source of driver information for legitimate insurance business within the meaning of their Affidavits of Intended Use.

LexisNexis could not provide Internet Addendums executed by three (3) customers that utilized the Internet to distribute information to and from its insurance agents. According to LexisNexis, PennDOT approved the use of Internet Addendum forms along with minimum Internet requirements in 2004. Internet Addendums permit customers to disseminate PennDOT driver record information to their insurance agents as long as the customers comply with the minimum Internet requirements which accompany the Internet Addendum.

Two (2) LexisNexis customers made the PennDOT driver record information accessible for their customers via the Internet.

Agreement No. 7303251 Section 7 Use of Information: "Customer agreements shall also expressly limit the use of any obtained driver record, in whole or in part, to authorized purposes."

Agreement No. 7303251 Section 9(b) Restriction Against Publication: "The Contractor agrees not to disseminate or publish on the Internet the personal information obtained from the Department or to allow any other person to disseminate or publish the personal information on the Internet without the written approval of the Department."

Agreement No. 7303251 Section 10 Contractor Databases: "Driver record information supplied by the Department shall not be used to create or update a file to be used by the Contractor, its customers, or subcontractors to develop their own source of driver record information."

#### FINDINGS AND RECOMMENDATIONS

### Finding No. 4 - Lack of Customer Safeguards to Ensure Security (Continued)

Agreement No. 7303251 Section 10 Contractor Databases: "The Contractor and its customers that obtain driver information for insurance or vehicle leasing purposes are permitted to retain driver record information only for as long as is necessary to conduct insurance or vehicle leasing business or as may be required by law. Employers may retain the information only in the employee's employment history file."

Although LexisNexis was unable to provide an explanation as to why customers were not taking adequate safeguards, thirty-seven (37) customers did not have Pennsylvania Access Agreements in effect and two (2) of those customers also did not file Affidavits of Intended Use with LexisNexis. As a result, the customers may not have been aware of the requirements for safeguarding PennDOT information.

LexisNexis indicated that the Internet Addendum for one (1) customer will need to be re-executed, but LexisNexis did not indicate the reason for not being able to locate the Internet Addendum for a second customer. LexisNexis indicated that the third customer did not publish PennDOT driver record information on the Internet, even though the customer indicated that driver history information is available to the insurance agents online.



#### Recommendation

We recommend that LexisNexis execute written agreements with all customers, to include the Pennsylvania Access Agreement and Affidavit of Intended Use, emphasizing the customers' requirements to protect PennDOT data. We also recommend that LexisNexis execute Internet Addendums with all customers that desire to utilize the Internet as a method of distributing PennDOT driver record information to and from its insurance agents.

#### **Audited Entity Response**

LexisNexis' Insurance Compliance team has undertaken a comprehensive review of all customers that utilize PennDOT data, to ensure that all requisite language and documents are in place. The review is scheduled to conclude in July 2018, with any necessary remedial actions to be performed promptly upon identification, or as soon as commercially practicable. We have also reached out to Kara Templeton, PennDOT Director of Driver Services to set up meeting to discuss TPA process.

#### FINDINGS AND RECOMMENDATIONS

#### Finding No. 4 - Lack of Customer Safeguards to Ensure Security (Continued)

#### **Auditor Conclusion**

The response provided by LexisNexis appears to be related to Finding No. 3 and Finding No. 5 rather than Finding No. 4. The response to Finding No. 4 appears to be incorrectly included as the last paragraph of the response to Finding No. 3. That response indicates that LexisNexis will contact customers based on the findings. However, LexisNexis did not provide the title of the individual responsible for the corrective action or the timetable for performance of the corrective action steps, including an anticipated completion date. Also, LexisNexis did not indicate that it would execute Internet Addendums with all customers that desire to utilize the Internet as a method of distributing PennDOT driver record information to and from its insurance agents.

Our finding and recommendation remain as stated above.

#### **FINDINGS AND RECOMMENDATIONS**

#### <u>Finding No. 5 - Providing PennDOT Driver Record Information to a Third-Party</u> Administrator

A Third-Party Administrator (TPA) orders PennDOT driver record information from LexisNexis on behalf of insurance carriers (end users) through an interface with LexisNexis and the end users. This process has taken place for approximately ten (10) years, and LexisNexis was not able to provide documentation indicating that PennDOT agreed that this practice was acceptable. LexisNexis has an agreement with the TPA governing the ordering of reports from LexisNexis on behalf of the insurance carriers. All end users that request and receive PennDOT driver records through the TPA, sign an agreement with LexisNexis. The end users execute a Customer Side of the Third-Party Processor Agreement (CSTPPA) where the customer authorizes the TPA to order on their behalf. The end users file an Affidavit of Intended Use for a specific subaccount number or they order PennDOT driver record information under a sponsoring insurance carrier's subaccount number. LexisNexis indicated that the TPA is not permitted to order PennDOT driver record information directly or independent of the end users.

Agreement No. 7303251 Section 9(a) Restriction Against Publication: "The Contractor shall not disclose or publish the names, addresses, or other personal information appearing in any driver record to any individual or group other than the Contractor's approved customers."

LexisNexis explained that it is standard procedure to obtain approval from PennDOT for all third-party processors who handle Pennsylvania driver records. Furthermore, LexisNexis believed that it obtained PennDOT approval in 2008 for this specific TPA; however, LexisNexis could not locate written confirmation of PennDOT approval.

This non-compliance with Agreement No. 7303251 could result in misuse and divulgence of PennDOT driver record information. Additionally, other third parties may have similar arrangements with LexisNexis and have access to the driver records without PennDOT's approval.

#### Recommendation

We recommend that LexisNexis communicate with PennDOT regarding providing records to a TPA. This will assist PennDOT and LexisNexis in determining the best course of action to ensure the security of PennDOT driver record information.

#### **Audited Entity Response**

LexisNexis did not associate a response to this finding.

#### FINDINGS AND RECOMMENDATIONS

## <u>Finding No. 5 - Providing PennDOT Driver Record Information to a Third-Party Administrator (Continued)</u>

#### **Auditor Conclusion**

The last portion of the response to Finding No. 4 seems to include corrective action steps related to Finding No. 5. We commend LexisNexis's immediate efforts to address the issues cited in this finding.

Our finding and recommendation remain as stated above.